

State of Wisconsin

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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: October 13, 2021

Re: 14-Day Passive Review Approval – DOA

Pursuant to s. 16.54(2)(a)2, Stats., attached is a 14-day passive review request from the Department of Administration, received on October 13, 2021.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Monday, November 1, 2021**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

HM:MB:jm



Tony Evers

OFFICE OF THE GOVERNOR

October 13, 2021

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The Honorable Howard Marklein, Co-Chair
Joint Committee on Finance
316 East, State Capitol
Madison, WI 53702

The Honorable Mark Born, Co-Chair
Joint Committee on Finance
308 East, State Capitol
Madison, WI 53702

SUBJECT: Notification of Federal Block Grant

Dear Senator Marklein, Representative Born and Members:

Attached is a request for the expenditure of additional Child Care and Development Block Grant Stabilization funds made available to the state by the American Rescue Plan Act of 2021. Pursuant to s. 16.54(2)(a)2., the grant funds will be made available through the allotment process, unless you notify me within 14 working days after the date of this notification letter that a meeting has been scheduled for the Joint Committee on Finance to review the proposed expenditure of grant monies.

Please also contact State Budget Director Brian Pahnke (266-1035) at the Department of Administration if you have any additional questions or if you schedule a meeting to review the proposed expenditure.

Thank you for your prompt attention to this notification letter.

Sincerely,

Tony Evers
Governor

Date: 10/13/2021

Attachments



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Joel Brennan, Secretary

Date: October 11, 2021
To: The Honorable Tony Evers
Governor of Wisconsin
From: Joel Brennan, Secretary *JB*
Department of Administration
Subject: Notification of Federal Block Grant

Recommendation:

Approve the expenditure of funds from the federal Child Care and Development Block Grant (CCDBG) Stabilization Grant award as proposed by the Department of Children and Families.

Description of Purposes of Expenditure:

The federal American Rescue Plan Act (ARPA) of 2021 included significant investments in the child care sector through three different funding streams, all aimed at supporting the industry during the COVID-19 pandemic: \$23.98 billion in CCDBG Stabilization Grants, \$14.99 billion in Child Care Development Fund Supplemental Discretionary Funds and \$3.55 billion in Child Care Development Fund Mandatory and Matching Funds. Of the CCDBG Child Care Stabilization Grant funds, Wisconsin received just over \$357.0 million. These funds must be obligated by September 30, 2022, and fully expended by September 30, 2023.

The Department of Children and Families requests under s.16.54, Wis. Stats., the authority to spend the federal CCDBG Stabilization Grant funds from the appropriations under ss. 20.437(2)(mc) and (2)(md) beginning in fiscal year 2021-22 and continuing in fiscal year 2022-23 to continue the Child Care Counts program.

For background, the department developed the Child Care Counts program in calendar year 2020 to distribute funding received in earlier rounds of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 funding. The program provided funding for child care providers that were open or temporarily closed to cover payroll, mortgage or rent, and utility costs, as well as the costs of materials and supplies for cleaning and sanitation. The department requested and received approval from the Joint Committee on Finance of approximately \$51.6 million CCDBG CARES funds, which served 2,712 child care providers. The Governor also allocated \$80 million of Coronavirus Relief Funds, which served 2,879 child care providers during calendar year 2020.

In March and September 2021, the department received Joint Committee on Finance approval to spend \$148.8 million of CCDBG funds allocated under the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 in fiscal year 2020-21. The bulk of these funds have also been disbursed through the Child Care Counts program to

continue to help child care providers weather the pandemic. Based on preliminary numbers, the department estimates that 3,260 child care providers have been served with these funds.

The department indicated that in March of 2020, Wisconsin had over 4,000 child care providers open. However, as result of the pandemic, that number dipped to a low of about 2,700 providers in April 2020, but it has, with the assistance of the Child Care Counts program, steadily climbed back up to a high of about 4,500 providers by April 2021.

The department is now requesting approval to use the ARPA CCDBG Stabilization Grant funding to continue the Child Care Counts program. Of the approximate \$357 million allocated to Wisconsin, the department plans to spend just over \$351.6 million on grants to child care providers in two programs described below that are similar to past grants that have been provided under the program and the remaining funds, \$5,355,000, would be reserved for administrative costs.

Eligibility

Under previous rounds of Child Care Counts, temporarily closed providers were eligible. Under this round, however, only open providers would be eligible.

Program A

Funds would be based on a per child payment to Wisconsin Shares providers based on the child's age and part-time or full-time status and would cover operating expenses and quality improvements with the goal of increasing access to high quality care.

In order to build the supply of child care providers that meet the needs of Wisconsin's working families, the department plans to phase in certain financial incentives, including:

- A per program add-on for providers that offer child care during nonstandard hours; and
- A per child add-on for children with additional identified needs, such as children with disabilities receiving Birth to 3 services.

Program B

Funds would be payments based on part-time or full-time status of staff and on the providers' Youngstar quality rating. The funds would aim to enhance staff compensation and professional development opportunities.

The department plans to run monthly rounds of the Child Care Counts program for approximately 18 months. The breakdown between Programs A and B would be based on the actual payments; however, previous rounds of funding spent 48 percent on Program A grants and 52 percent on Program B grants. Based on projections of potential usage, the department anticipates spending \$175,824,722 in fiscal year 2021-22 and \$175,824,722 in the fiscal year 2022-23. Given the potential variability of how the funds would need to be expended, however, the department is requesting authority to spend up to \$351.65 million

total over the two-year period and to be allowed to adjust the expenditure authority of the federal appropriation by fiscal year as needed within the overall constraint.

Administrative Costs

Similar to other federal programs, administrative expenses are capped in the law at 10 percent of the total. In this request, however, the department is proposing to allocate only 1.5 percent of the total award toward the following administrative costs:

- Provider Portal: Information technology updates including modifications to application processes (such as requiring additional documentation for enhanced program integrity); changes to calculation of payments; and user acceptance testing and quality assurance.
- Dashboard and Reporting: Ensuring payment data is available and accurate; updating on-line dashboard; and creating reports and responding to internal and external data requests.
- Communications: Helping providers understand eligibility and application processes; creating user guides; biweekly listserv messaging to providers, counties, tribes and other stakeholders; social media posts; updates to the department Web site; and additional outreach to raise awareness of the program to providers and other stakeholders.
- Call Center: Handling incoming calls and e-mails; answering questions regarding eligibility, policies and application processes; inputting applications over the phone for providers who do not have Internet access; and providing all support in multiple languages.
- Financial Integrity: Setting up correct coding for federal reporting; overseeing payments; handling manual check payments; payment recoupment tracking; and reviewing of terms and conditions and related communication.
- Program Integrity and Evaluation: Ensuring that application information is accurate; that program terms and conditions are met; monitoring and evaluating impact of funding on program objectives; communication with providers around documentation required for audits; internal and external auditing of programs; and reporting of audit results.

The department is requesting approval to spend \$5,252,000 in fiscal year 2021-22 and \$103,000 in fiscal year 2022-23. If adjustments are needed to these expenditures, the department will submit a new request to the committee.

Summary

The above program proposals are consistent with federal requirements and guidance for the additional grant funding. The department will use the funds to continue to support child care providers during the pandemic as well as for associated administrative costs.

Prepared by: Jennifer Kraus
 266-5878



DATE: October 1st, 2021

TO: Brian Pahnke, Administrator
Division of Executive Budget and Finance
Department of Administration

FROM: Emilie Amundson, Secretary

SUBJECT: s. 16.54 Request – Child Care and Development Block Grant (CCDBG) American Rescue Plan Act (ARPA)

The Department of Children and Families (DCF) requests, under s.16.54(2)(a)2, Wis. Stats., authority to spend funds from the \$357 million CCDBG stabilization funds award amount in State Fiscal Year 2022 (SFY 22) and SFY 23 in the appropriations under §20.437(2)(mc) and §20.437(2)(md). This funding was provided by the American Rescue Plan Act (ARPA).

Under this proposal, the ARPA Child Care Stabilization Funds would go to providers through the Child Care Counts program and to the administration of that program. The funds would be spent in the following amounts between Child Care Counts and Administration:

ARPA Stabilization Funding	
Child Care Counts	\$351,650,000
Administration	\$5,355,000
Total	\$357,005,000

Revenue Sources

The ARPA provides \$23.9 billion under the Child Care and Development Block Grant for supporting stability of the child care sector during and after the COVID-19 public health emergency. Wisconsin has received just over \$357 million of the total grant increase. Awarded funds must be obligated by September 30, 2022 and liquidated by September 30, 2023 and would be used according to the proposal below.

Background

- The Child Care Stabilization Grants were appropriated in the American Rescue Plan Act (ARPA) (Public Law 117-2) signed into law on March 11, 2021. It appropriated funding for child care through three funding streams:

\$14,990,000,000 for CCDF Supplemental Discretionary Funds, available until September 30, 2024;

- \$23,975,000,000 for Child Care Stabilization Grants, available until September 30, 2023; and,
- \$3,550,000,000 in Mandatory and Matching funding for CCDF, a permanent annual appropriation

Wisconsin was awarded:

- \$222.7 million for CCDF Supplemental Discretionary Funds;
- \$357 million in Child Care Stabilization Grants; and
- \$9 million for Mandatory and Matching funding for CCDF

States must spend at least 90% of stabilization funds as subgrants to qualified child care providers to support the stability of the child care sector during and after the COVID-19 public health emergency. Remaining funds may be spent on administrative activities, supply-building activities, and certain types of technical assistance.

Providers can spend funds on a variety of key operating expenses, including wages and benefits, rent and utilities, cleaning and sanitization supplies and services, and other goods and services necessary to maintain or resume child care services.

Analysis

Child Care Counts: \$351.6 million

Under this proposal, the ARPA Child Care Stabilization Funds would go to providers through the Child Care Counts program with slight modifications from earlier rounds.

- DCF would run monthly rounds of the Child Care Counts program, giving providers the stability they need to stay open and continue to care for children.
- Child Care Counts funded by the ARPA Child Care Stabilization dollars would run for approximately 18 months.
- As in previous Child Care Counts rounds, funds would be administered through Program A and Program B, described in more detail below. The breakdown between Programs A and B is based on the actual payments; however, previous rounds of funding spent 48% on Program A and 52% on Program B.

Eligibility:

Unlike in previous rounds of Child Care Counts, only open providers would be eligible for Programs A and B under this proposal. Temporarily closed providers would not be eligible, except if they are closed because of a COVID-19 exposure.

Program A: Increasing Access to High Quality Care

Program A is based on per child payments to providers, and the funds would be used by providers to cover operating expenses and program quality improvements. The per child payments are based on the following factors:

- Age;
- Part-time or full-time (20 hours or fewer for part-time, 21 hours or more for full-time);
- Participation in Wisconsin Shares

Allowable uses for funding would be:

- Covering operating expenses including but not limited to mortgage, rent/space costs, utilities, insurance, and payroll/benefits;
- Expenses related to mitigating the risk of COVID-19, including but not limited to personal protective equipment (PPE) and supplies for cleaning and sanitation;
- Materials/supplies for enhancing the program environment, curriculum, and social emotional development supports;
- Mental health services for children and employees;
- Tuition reimbursement

In order to build the supply of child care providers that meets the needs of Wisconsin's working families, DCF plans to phase in certain financial incentives as part of Program A, including:

- A per program add-on for providers that offer child care during non-standard hours; and
- A per child add-on for children with additional identified needs, such as children with disabilities receiving Birth to 3 services.

Program B: Workforce Recruitment and Retention

Program B is based on per staff payments to providers and is designed to enhance staff compensation and professional development opportunities. The per staff payments are based on the following factors:

- Part-time or full-time (20 hours or fewer for part-time, 21 hours or more for full-time)
- YoungStar rating

Allowable uses for funding would be:

- Employee wage increases, bonuses, and benefits;
- Professional development, training, scholarships, and/or continuing education

Administrative Costs: \$5.3 million

Administrative costs are expected to include contracts and personnel related to the following activities:

- **Provider Portal (IT):** IT updates including modifications to application process (such as requiring additional documentation for enhanced program integrity), changes to calculation of payments, user acceptance testing, and quality assurance
- **Dashboard and Reporting (IT):** Ensure payment data is available and accurate, update online dashboard, create reports, and respond to internal and external data requests
- **Communications:** Help providers understand eligibility and application process; create user guides; bi-weekly listserv messaging to providers, counties, tribes, and other stakeholders; social media posts; updates to the DCF website including Frequently Asked Questions (FAQs); additional outreach to raise awareness of Child Care Counts program to providers and other stakeholders
- **Call Center:** Handle incoming calls and emails; answer questions regarding eligibility, policies, and application process; input applications over the phone for providers who do not have internet access; provide all support in multiple languages
- **Financial Integrity:** Setting up correct coding for federal reporting, overseeing FIS (electronic) payments, handling manual check payments, payment recoupment tracking, and review of terms and conditions and related communication
- **Program Integrity and Evaluation:** Ensure that application information is accurate, ensure that program terms and conditions are met, monitor and evaluate impact of funding on program objectives, communication with providers around documentation required for audits, internal and external auditing of programs, reporting of audit results

Similar to previous submissions, this proposal estimates stabilization administration funding to be 1.5% of the total award. Administrative expenses are capped at 10% of the award total under federal requirements. Any administrative funds not spent or encumbered by the obligation date will be used for the Child Care Counts program as part of this proposal.

Summary

DCF requests authority to spend \$357 million FED from the CCDBG stabilization funding provided by the American Rescue Plan Act, in SFY 22 and SFY 23. DCF will use the funds to support child care providers during and after the pandemic and associated administrative costs.

Prepared By: Adam Hartung, Director
Office of Budget and Policy
(608) 422-6346